Liberty's Outlook

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The Lull Before The Storm—Now Is The Time To Buy!

Inflation And Depression Threaten U.S. Economy!

After the sell-off in precious metals at the end of February, prices quietly recovered in March most of the way back to levels of late-February.

Actually, it may be more accurate to say that it was the U.S. dollar falling in March rather than gold, silver, platinum and palladium rising.

In the past four weeks, the U.S. dollar has fallen over 6% to the New Zealand dollar, over 5% to the Australia dollar, almost 5% to the Brazil real, and almost 4% to the South Africa rand. It has dropped 1.5-2% versus the Euro, British Pound, Canada dollar, and Mexico peso.

While the U.S. dollar is up slightly against the Japanese yen and Swiss franc since the last newsletter, the economic news in the U.S. is not making U.S. dollar-denominated investments an attractive choice for foreign investors.

I listed several factors last month that would worry anyone considering holding U.S. dollars or dollar-denominated investments. Despite the brief boost that the dollar enjoyed a month ago from what looks like major behind-the-scenes manipulation, foreigners generally were not fooled. So, the dollar has resumed its downward path.

This recent decline is also partly due to international reaction to the U.S. government in late March imposing tariffs on some papers being imported from China. Greater trade barriers in the U.S. will hurt the U.S. economy and the U.S. dollar much more than it will help, and could help push the U.S. into its worst depression since 1929.

The U.S. government stopped reporting its M3 definition of the U.S. money supply just over a year ago. Although it was never admitted by government officials, it is widely suspected that the reason for this step is that the M3 definition would easily expose the level of U.S. dollars being unloaded by other central banks.

Theoretically, if foreign investors and central banks could see the pace at which others were dumping their dollar holdings, that could lead to a panic where everyone rushed to get rid of their dollars. So, to preserve as much value of the U.S. dollar as possible, the U.S. government has an incentive to make this information unavailable.

Unfortunately, this data can be roughly constructed by savvy analysts. I have seen two different reports claiming that if the U.S. government were still reporting the M3 money supply, that it would show at least an 11% increase in the past 12 months.

An 11% or more increase in the money supply does not exactly support the pretense that there is low inflation in the U.S. economy.

These same analysts also think the rate of the increase in the money supply could double within a few years.

At the same time that the U.S. dollar is falling in value, the U.S. economy continues to suffer shocks. As each day passes, lately, it seems that the high rate of default among "sub-prime" mortgages casts even more gloom across the economy.

Just this week it was reported that mortgage foreclosures in California in February 2007 were 79% higher than they were in February 2006!

Sub-prime mortgage problems are no longer just being sloughed off as just a minor niche not affecting the rest of the economy. Instead, major banks are admitting that they are on the hook to book growing levels of bad debts.

Huge federal government-

2007 Year To Date Results

Through April 3, 2007

Precious Metals	
Platinum	+9.3%
Palladium	+6.0%
Gold	+4.6%
Silver	+4.2%
Numismatics	
MS-63 $20.00 Liberty	+2.4%
MS-63 $20.00 St Gaudens	0.0%
MS-65 Morgan Dollar	-3.3%
US Dollar vs Foreign Currencies	
Switzerland Franc	+0.3%
Japan Yen	-0.03%
Canada Dollar	-0.5%
Great Britain Pound	-0.8%
China Yuan	-0.9%
Euro	-1.0%
India Rupee	-2.9%
US and World Stock Market Indices	
Frankfurt Xetra DAX	+6.8%
Russell 2000	+3.1%
London FT 100	+2.3%
NASDAQ	+1.5%
S&P 500	+1.4%
Dow Jones Ind Average	+0.4%
Tokyo Nikkei 225	+0.1%

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sponsored mortgage companies called Fannie Mae and Freddie Mac are in the process of tightening standards so that in a few months they will no longer extend mortgages in circumstances where they expect a high risk of default. Why they didn't do this before, and why they are not doing this immediately seem strange. I take it as a sign of major economic weakness that they are still willing to issue mortgages that they expect will not be repaid.

The Plunge Protection Team

Even more worrisome, it seems that the actions of the President's Working Group on Financial Markets (popularly called the Plunge Protection Team (PPT)) are being kept in high secrecy.

This committee, consisting of the U.S. Treasury Secretary as its chair also includes the chair of the Federal Reserve Board, the chair of the Securities and Exchange Commission, and the chair of the Commodities Future Trading Commission, was formed in 1988 to prevent another stock market crash like October 1987.

This committee met only sporadically until the past few years. Now they have regularly scheduled meetings at least once a quarter. Apparently, they had an emergency meeting at the end of February when the U.S. dollar was on the brink of a major fall.

As part of the contingency plans, the PPT openly acknowledges that they will work with major private financial institutions such as brokerage houses, banks, and hedge funds, to prevent market crashes.

To make better investment decisions, it would help to know just what decisions and plans this committee had made. But don't hold your breath trying to find out.

John Crudele, a columnist for the *New York Post* newspaper directed his attorney to file a Freedom of Information Act (FOIA) request in July 2006 to obtain documents of the PPT.

To date this request has been ignored other than a phone call claiming that his request was being worked on.

On February 28, 2007, Crudele had his attorney file another FOIA request for the minutes of any meetings that the PPT held on February 27 or 28, information that might explain some strange trading patterns that occurred those days.

But Crudele doesn't expect to get this information either. In his column yesterday, Crudele hints that perhaps others might contact their Congressmen and Senators to request this same information.

Although there is no official information, there are various analysts who claim to have the ear of an insider who shares some critical information.

For instance, one analyst claims that the PPT has plans to execute a major intervention to support the value of the U.S. dollar if it falls to an index level of 80.5 against a basket of 12 major foreign currencies. Yesterday the U.S. Dollar index closed at 82.87, so it would only take another 2.85% drop to trigger this event.

This analyst may be wrong on reporting where the PPT has decided to draw the line, but I am confident that, in doing their assigned job, they would have to trigger a response if this index fell to some point. The 80.5 target makes a lot of sense because it would be a point just above where the U.S. dollar would have a high risk of potential collapse.

What Does This Mean?

This month, I am just giving you a few tidbits of what is going on behind the scenes and not being reported by the mainstream media. For more problems facing the U.S. government, the U.S. economy, and the value of the U.S. dollar, please see last month's newsletter.

At the minimum, I expect the dollar to continue to decline slowly over the balance of 2007. I think there are just too many problems to rescue the dollar this year. If we are lucky, it may only fall another 5-10% by year end.

I fear that the risk of the dollar falling by 10-25% further this year is high enough that I urge prudent people to raise the proportion of their total net worth that is in "hard assets" like gold, silver, and rare coins. In normal times, I advocated that 5-10% of one's net worth was suitable as insurance against calamities affecting the value of your paper assets. Last year I raised my allocation to 10-20% of your net worth be devoted to hard assets.

Without trying to sound alarmist, **I now think you have to seriously consider holding at least 20% of your net worth in gold, silver and precious metals.**

The precious metals markets were fairly quiet in the past few weeks. I think we are in the lull before the storm. Now is the time to buy gold, silver, and rare coins to protect yourself.

Friends Far And Near

As many of you already know, *Liberty's Outlook* is cited or reprinted in a number of publications across the country. Several websites link to the newsletter on our website (www.libertycoinservice.com).

We have received some unusual requests for permission to reprint over the years, but recently received the most exotic one yet.

The Institute of Chartered Financial Analysts of India have obtained permission to reprint the main essay from the January 2007 issue of *Liberty's Outlook* as a chapter in a forthcoming book tentatively titled "Gold As An Investment.".

Incidentally, Liberty Coin Service will have an exhibit table at the Freedom Fest 2007 coming up July 5-7 at Bally's/Paris Resort in Las Vegas. I will be one of the speakers, discussing how rare coins may or may not be a suitable investment as part of an individual's portfolio (and what to include if it is).

Freedom Fest was created and produced by investment writer Mark Skousen since 2002. Skousen has kind enough to say nice things about Liberty Coin Service over the years. If readers wish to meet with me, please contact me. You are also welcome to register for the whole event. Full information can be obtained at www.freedomfest.com. LCS does not receive any commissions from registrations resulting from this mention, but I am sure they would be interested to know how you hear about Freedom Fest 2007.

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Gold and Gold Coins

Gold closed today at $672.00, an increase of $21.50 (3.3%) from last month.

With prices in March lower than they were in late February, there was relatively little liquidation of physical gold. Instead of being somewhat balanced between buying and selling, the overall trend was for investors to be buying physical gold.

Today, Gold Fields Mineral Services (GFMS), one of the world's most respected precious metals consultancies, released its *Gold Survey 2007.* The report points to sustained investment demand, lower official gold sales, increased activity by gold mining companies to repurchase their pre-sold gold contracts, and U.S. economic woes as reasons why gold may well move above $725 this year and may possibly top $850 either in 2007 or 2008.

GFMS is a fairly conservative institution. In one of their research studies, it proclaimed the "official line" that only about 15-25% of all official gold holdings are out on lease. As a result, their forecast of gold prices also tends to be conservative.

As more research has shed light on the gold market in the past few years, it confirms that it is more likely that those who estimate that 50-75% of all official gold holdings are already out on lease may be more on target. To the extent that their analyses are correct, that governments and central banks are sneaking almost 50 million ounces of gold onto the market each year to try to hold down prices, the GFMS forecast could prove to be humorously low.

By the way, the European Central Bank sold almost 1.5 million ounces of gold onto the market over the past three weeks. The last time such a quantity was dumped on the market, in September 2006, the gold price sank almost $30. This time around, the market absorbed all the gold and the price rose about $20! This is prime evidence that those who might be trying to manipulate the price of gold downwards are losing their impact.

At the minimum, I expect gold prices to move up modestly from current levels. It would not take much for prices to explode. I think there is a significant chance that gold may top $1,000 by year end

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Best Values in Standing Liberty Quarters and Walking Liberty Half Dollars Today

The Standing Liberty Quarter (SLQ) series issued from 1916 to 1930 and the Walking Liberty Half Dollar Series that were minted from 1916 through 1947 are both popular with collectors. Like most U.S. coins, most prices today are well below the levels at the last major market peak in June 1989.

Because they are relatively scarce, Standing Liberty Quarters are relatively stable simply because no major marketers are able to accumulate large quantities for major marketing promotions. Instead, we have a number of collector want lists to fill as we are able to find nice coins.

As a result, there are relatively few Standing Liberty Quarters with current prices so low that they merit our High or Highest Recommendation when compared to the price history, current price, and rarity of the most common issue—the 1930 Philadelphia SLQ. Instead of listing the Undervaluation Index™ for every date and grade, I list only the dates where one or more grades merit a High Recommendation (with an Undervaluation Index™ of 10.00 to 19.99) or a Highest Recommendation (with an Undervaluation Index™ of 20.00 or higher) and for which current *Coin Values* catalogs the grade for $2,000 or less.

Standing Liberty Quarter Undervaluation Index™

Date	*MS-64*	*MS-65*	*MS-66*
1917-D Type 2			11.35
1918	11.04	14.39	
1918-S			11.65
1920		10.13	17.95
1924		13.08	14.34
1925		13.62	23.76
1926		14.42	25.78
1926-D		19.11	
1927		14.90	
1928	10.61	17.66	20.36
1928-D			14.65
1929			12.62
1929-D		17.61	21.53

Note: The intricate design of this series proved more difficult than average for the Mint to strike coins showing full details on Liberty's head. Many SLQ collectors focus on collecting "Full Head" issues. Some Full Head issues trade at huge prices. This analysis only covers coins with typical strikes. We may analyze the Full Head issues at a later date.

Large hoards of Walking Liberty Halves periodically appear. For instance, when collectors pushed up prices of high grade Walkers last year, a huge hoard from the Midwest was brought to market. Many dates in the 1930s and 1940s experienced significant increases in the certified populations of top grade coins. Since then, some promoters have been actively trying to sell these coins on the basis of the higher prices in effect before the hoard appeared.

At these high catalog values, no Walker in any grade earned a Highest Recommendation when compared to the 1943 date, the most common Walker in high grade. Only four dates even earned a High Recommendation in MS-66 quality:

1917—14.28, 1917-D Obv Mintmark—14.11, 1946-D—12.62, and 1947-D—14.59

It is sometimes possible to locate reasonably priced Walkers, given the higher market supply. For instance, we recently acquired a spectacular 1934 Walker graded MS-66 by PCGS. At a catalog value of $1,100 it only merited an Undervaluation Index™ of 2.99, meaning that we would not recommend the coin for appreciation potential. However, because the wholesaler sold us the coin at realistic levels, we sold this coin to the first customer who saw it for only $550, 50% below catalog value. At a price of $550, this coin would get an Index of 11.97 which means we give that coin a High Recommendation at that price.

As catalogs adjust values, we expect that more Walkers will merit a High or Highest Recommendation.

Please refer to the February 2007 issue of *Liberty's* Outlook for explanation of the Undervaluation Index and its limitations.

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and $2,000 by the end of 2008 is a serious possibility.

The best low premium forms of gold to purchase are still the Austria **100 Corona** (2.9%), South Africa **Krugerrand** (2.9%), U.S. **American Arts Medallion** (3.0%), and Mexico **50 Peso** (3.0%). All of these forms are out of production.

Demand for **Common Date U.S. Gold Coins** has fallen off some, along with somewhat lower bullion demand. Several coins are available at a lower premium this month, like the $20.00 Double Eagles, while others are higher, such as circulated $5.00 Liberties.

Collectors just cannot seem to get enough of **Better Date U.S. Gold Coins,** especially the ones that can be acquired closer to the price of Common Date Gold Coins than their relative rarity would lead you to expect. Even other dealers often ask to purchase coins that we periodically feature. This month, we managed to locate enough **Better Date Mint State-62 and –63 $10.00 Liberties dated in the 1800s** to make a general offering to everyone. As you review the list, you will see that you can acquire a coin that is 5, 10, 20, and even more times rarer than the common-date 1901-S, yet you pay the very same price or not that much more to acquire the scarcer coin. See our offer for details.

Silver and Silver Coins

Silver ended today at 13.56, a up 56 cents (4.3%) from four weeks ago.

Trading in the physical silver market was much like that for gold. Little was being liquidated once prices fell below $14.00 in late February. What activity there was seemed almost all skewed toward investors buying physical silver.

It looks like owners of a larger than normal quantity of Comex silver contracts are taking delivery rather than rolling over the contract. This may be for silver to deliver to the Barclay Bank Silver Exchange Traded Fund (stock ticker symbol: SLV) in London.

As long as I am discussing SLV, one commentator hit it on the mark when he likened the impact of this fund to what the Hunt brothers did in the second half of the 1970s and into 1980. This time, though, the impact could be much larger because SLV sells its shares (each share represents 10 ounces of physical silver) to everyone, including private and institutional investors. Collectively, these investors have much more wealth to put into silver than the Hunts ever did..

Inventories at the Comex are so low that those who have sold silver contracts in some instances are having to deliver silver into Comex warehouses in order to make deliveries at the maturation of the contracts.

By the way, the net short positions on the Comex among the eight largest traders with short positions now exceeds 300 million ounces. This short position may well exceed all the silver inventories available worldwide, including everything held by SLV. It is such a huge distortion of the silver market, keeping prices down in the process, that it almost looks as if the U.S. government is encouraging or at least acquiescing in this situation. This short position cannot last forever, but it can go on for a long time with the support of the government.

The supply deficit is so huge that when the market defaults the price of silver will explode I'm looking for at least $50. Topping $100 and even $200 is possible.

The best value in physical silver continues to be U.S. **90% Silver Coin** (0.0%). It is the mostly widely traded form of physical silver for investors, the most liquid, and the most divisible. Right now, supplies are plentiful and you can literally buy a bag of silver in this form right at the spot price..

Premiums are also low on other forms of physical silver such as U.S. **40% Silver Coin** (0.2%) and **100-1 Ounce Ingots** (2.2-3.1%).

Demand for **Mint State Rolls of Morgan And Peace** Dollars continues to be the strongest we have seen in years. Prices continue to edge upward.

There also seems to be no end of interest in **Better-Date Morgan and Peace Silver Dollars**. I recently had the unexpected opportunity to purchase the nicest specimens from a 2,000 piece lot of Morgan and Peace Dollars. Many of these coins are dates of **Gem Mint State-65 Morgan Dollars** for which we give our Highest Recommendation for appreciation potential Please seen our enclosed flyer.

The Month

Gold Range	31.00	4.8%
Net Change	+21.50	
Silver Range	.82	6.4%
Net Change	+.56	
Gold/Silver Ratio		49.6
Net change		-0.4
Platinum Range	62.00	5.3%
Net Change	+62.00	
Platinum/Gold Ratio	1.85	

Date	Gold	Silver	Platinum
Mar 07	650.50	13.00	1,179.00
Mar 08	653.00	13.01	1,197.00
Mar 09	650.00	12.87	1,193.00
Mar 12	648.50	12.98	1,196.00
Mar 13	647.00	12.86	1,203.00
Mar 14	641.00	12.74	1,206.00
Mar 15	645.50	12.99	1,208.00
Mar 16	652.50	13.12	1,210.00
Mar 19	653.00	13.14	1,221.00
Mar 20	658.00	13.28	1,221.00
Mar 21	659.00	13.24	1,220.00
Mar 22	663.00	13.40	1,231.00
Mar 23	656.50	13.15	1,224.00
Mar 26	663.25	13.34	1,227.00
Mar 27	662.00	13.21	1,226.00
Mar 28	666.25	13.38	1,233.00
Mar 29	661.50	13.28	1,228.00
Mar 30	663.00	13.39	1,240.00
Apr 02	665.00	13.29	1.232.00
Apr 03	664.00	13.37	1,235.00
Apr 04	672.00	13.56	1,241.00

London Silver Market Premium To New York Silver Market = 3¢

Gold, silver and platinum quotes are working spots at 1:45 EST/EDT each day, quoted in U.S. dollars per troy ounce.

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